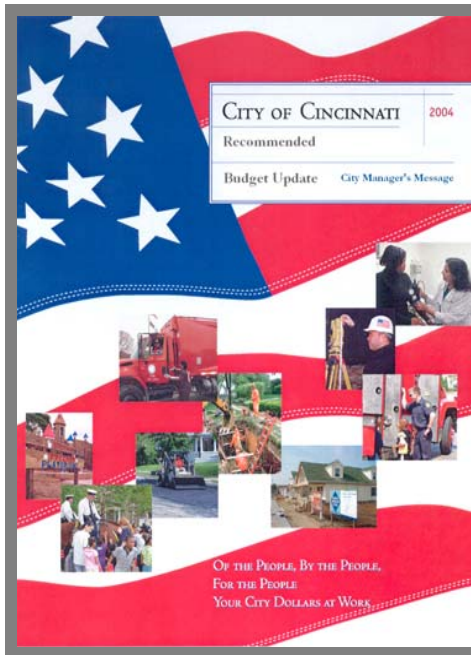


# City of Cincinnati 2004 Budget Update



## City Council Finance Committee Briefing

December 2, 2003



# Policy Themes

- **Clean**
- **Safe**
- **Invested**

# Policy Themes (continued)

## *Clean...*

- Yard Waste Program Reinstated in the amount of \$552,000
- Added Street Sweeping, from 27,000 curb miles to 40,000 curb miles
- Full funding of regular solid waste collection and disposal
- Continued funding of the Citizen Safety Fund with Anthem demutualization proceeds in the amount of \$1,000,000
- Continued funding of the Clean and Safe Neighborhood project with CDBG funding in the amount of \$440,000
- Additional Graffiti Abatement Vehicle to proactively respond to 1,000 additional graffiti complaints in targeted neighborhoods each year

# Policy Themes (continued)

## *Safe...*

- Recommended 2004 Budget Update includes funding for 15 additional police officers, from 1,045 to 1,060. The remaining 15 police officers will be added during 2005 to reach the additional 75 police officer goal
- The Drughouse Shutdown Program for \$100,000, with an estimated 20 drughouses barricaded or demolished in 2004
- The City's ban on pit bulls will be fully implemented as approved by the City Council in 2003

# Policy Themes (continued)

## *Safe...*

- Regional Homeland Security participation for preparedness, response, and recovery planning associated with \$20.7 million in grants awarded by the U.S. Department of Homeland Security
- The City will open the Public Safety Communications Center to provide better coordination among City and regional emergency response departments
- The 800 MHz public safety radio upgrade project will be completed
- General Capital Budget Update includes \$1.1 million to install new and revised curb cuts and ramps required by the Americans with Disabilities Act (ADA) at the City's intersections

# Policy Themes (continued)

## *Invested...*

- Leveraging Neighborhood Revitalization Strategy Area (NRSA) designation to make a greater investment impact in select communities
- Approximately \$50 million is identified for NRSA investments
- Recommended for consideration are NRSA designated projects included for these neighborhoods:
  - Bond Hill
  - College Hill
  - Corryville
  - Kennedy Heights
  - Madisonville
  - Westwood

# Policy Themes (continued)

## *Invested...*

- Department of Community Development and Planning (DCDP) Review - Anticipated DCDP Review results include:
  - A more focused mission on community development
  - Organizational alignment among community development functional areas
  - Implementation of best practices in community development project management
- Economic Development Task Force Recommendations being implemented:
  - Early Warning System
  - Strike Force
  - One-Stop Permit & Development Center (to open in early 2004)
  - Revised Zoning
  - Office of the City Manager economic development oversight
  - Cincinnati Center City Development Corporation (3CDC)

# Recommended 2004 All Funds Budget

| (\$ in Millions)          | 2003<br>Approved<br>Budget | 2004<br>Approved<br>Budget | 2004<br>Recommended<br>Budget Update | \$<br>Change  | %<br>Change |
|---------------------------|----------------------------|----------------------------|--------------------------------------|---------------|-------------|
| Operating Budget          |                            |                            |                                      |               |             |
| General Fund              | \$312.5                    | \$319.2                    | \$330.5                              | \$11.3        | 3.5%        |
| Restricted Funds          | <u>\$409.2</u>             | <u>\$412.2</u>             | <u>\$451.7</u>                       | <u>\$39.5</u> | <u>9.6%</u> |
| Subtotal Operating Budget | \$721.7                    | \$731.4                    | \$782.2                              | \$50.8        | 6.9%        |
| Capital Budget            |                            |                            |                                      |               |             |
| General Capital Budget    | \$106.1                    | \$89.5                     | \$79.0                               | (\$10.5)      | -11.7%      |
| Restricted Funds Capital  | <u>\$146.2</u>             | <u>\$161.5</u>             | <u>\$177.4</u>                       | <u>\$15.9</u> | <u>9.8%</u> |
| Subtotal Capital Budget   | \$252.3                    | \$251.0                    | \$256.4                              | \$5.4         | 2.2%        |
| Consolidated Plan Budget  | \$28.0                     | \$26.4                     | \$26.1                               | (\$0.3)       | -1.3%       |
| Total Budget              | <u>\$1,002.0</u>           | <u>\$1,008.8</u>           | <u>\$1,064.7</u>                     | <u>\$55.9</u> | <u>5.5%</u> |

*Unless noted, all comparisons are from the 2004 Approved Budget*

- The Recommended 2004 All Funds Budget is \$55.9 million, or 5.5%, more than the 2004 Approved All Funds Budget



# **All Funds Major Budget Changes -**

## **(\$55.9 Million, or 5.5%, increase)**

- \$30.6 million: Bond Retirement Fund expenditures for debt service requirements
- \$6.5 million: Increased cost for the City's retirement system - from 7% to 11% of payroll
- \$5.4 million: Capital Budget Increase (primarily the Metropolitan Sewer District)
- \$3.5 million: Increased costs for health care
- \$2.9 million: Increase associated with approved Police labor contract
- \$2.7 million: Increase associated with approved Fire labor contract
- \$1.2 million: Increase in debt service requirements for parking facility bonds
- \$3.1 million: Net increase in other areas of the All Funds budget
- \$55.9 million: Total All Funds Budget increase over the 2004 Approved All Funds Budget

# **General Fund Major Budget Changes -** **(\$11.3 Million, or 3.5%, increase)**

\$7.2 million: Increased costs for health care and retirement system

\$2.0 million: Police (primarily negotiated wage and training pay increases)

\$1.9 million: Fire (primarily negotiated wage and training pay increases)

\$0.4 million: Increased Economic Development Income Tax Credit Agreements

\$0.2 million: Other net decreases in non-public safety departmental budgets

\$11.3 million increase

## **General Fund Highlights**

- Basic services maintained or expanded
  - Yardwaste Program reinstated
  - Nature Education Program reinstated
  - Health Education Program reinstated (granted funded)
- New facilities operational (One-Stop Permit & Development Center, Mt. Washington Recreation Center, and the Public Safety Communications Center)

# **Restricted Funds Major Budget Changes -** **(\$39.5 Million, or 9.6%, increase)**

\$30.6 million: Increased debt service requirements

\$5.0 million: Increased costs for health care and retirement system within Restricted Funds

\$1.2 million: Increased Parking Facilities Fund expenditures for debt service

\$0.6 million: Transfer of Right-of-Way maintenance from the General Fund to Restricted Fund (Street Construction Fund 301)

\$0.25 million: Increase to establish a Slippery Streets Salt Contingency

\$1.85 million: Other net increases in Restricted Funds

\$39.5 million: Net Increase in Restricted Funds Operating Budget

# Restricted Funds Budget Highlights

- Increased costs for health care and retirement impacts all funds
- Water Works Butler County service expansion (paid for by Butler County users)
- Consent Decree and proposed Water in Basements program not within MSD budget
- Increased debt service for City Council-approved parking facilities (6th & Broadway and Central Parkway and Vine St.)

# Recommended 2004 Capital Budget

| <i>(\$ in Millions)</i>        | <b>2004<br/>Approved<br/>Budget</b> | <b>2004<br/>Recommended<br/>Budget Update</b> | <b>\$<br/>Change</b> | <b>%<br/>Change</b> |
|--------------------------------|-------------------------------------|---|----------------------|---------------------|
| General Capital                | \$89.5                              | \$79.0  | (\$10.5)             | -11.7%              |
| Restricted Funds Capital       | 146.4                               | 158.5   | 12.1                 | 8.3%                |
| Special Revenue Capital        | 1.5                                 | 1.2   | (0.3)                | -20.0%              |
| Matching Capital               | <u>13.6</u>                         | <u>17.7</u>                                   | <u>4.1</u>           | <u>30.1%</u>        |
| Total All Funds Capital Budget | \$251.0                             | \$256.4                                       | \$5.4                | 2.2%                |

- Recommended 2004 Capital Budget is \$5.4 million, or 2.2%, more than the 2004 Approved Capital Budget

# **General Capital Major Budget Changes - (\$10.5 Million, or 11.7%, decrease)**

- \$6.5 Million: Advanced funding of City Council-approved Recreation Facility Renovations
- \$4.6 Million: Separation of Tax Increment Financing (TIF) projects from the General Capital Budget, reflected separately (see p. 5 of the Capital Budget Update)
- \$0.6 Million: Net increase in other General Capital projects
- \$10.5 Million: Net decrease in the 2004 General Capital Budget

## **General Capital Budget Highlights**

- 100 Lane Mile Street Rehabilitation (200 miles in the 2003/2004 biennium)
- Mt. Washington Recreation Center construction funded
- \$3.5 Million for Recreation Facility Renovations (from Neighborhood Investment Reserve Project - Anthem advance re-allocation)

# General Capital Budget Highlights (cont'd)

- \$3.0 Million for Neighborhood Road Improvements (River Rd. & Columbia Parkway)  
(from Neighborhood Investment Reserve Project - Anthem advance re-allocation)
- \$1.5 Million for the City Council-approved Columbia Square project  
(from Neighborhood Investment Reserve Project - Anthem advance re-allocation)
- \$1.1 Million for ADA Required Curb Cuts
- \$1.0 Million for Commercial District Road Improvements
- \$600,000 to Complete Phase II of the Findlay Market House Renovation
- \$250,000 for Managed Competition Loan Fund for City employee bids

# **Restricted Funds Capital Major Budget Changes -**

## **(\$12.1 Million, or 8.3%, increase)**

\$11.1 Million: Metropolitan Sewer District projects advanced due to additional borrowing capacity during 2003 based on favorable interest rates

\$2.0 Million: Parking Facilities Fund increase for the City Council-approved new parking facility (Central Parkway & Vine Street)

\$1.0 Million: Net decrease in other Restricted Funds capital projects

\$12.1 Million: Net increase for the 2004 Restricted Funds Capital Budget



# Anthem Supported Capital Projects

| Project  | 2003<br>Approved    | 2004<br>Approved    | 2004<br>Budget<br>Update<br>Changes | 2004<br>Budget<br>Update<br>Recommended |
|--|---------------------|---------------------|-------------------------------------|---|
| Neighborhood Housing Revolving Loan Fund                   | 15,000,000          | 0                   | 0                                   | 0                                       |
| Capital Arts Funding                                       | 2,200,000           | 2,200,000           | 0                                   | 2,200,000                               |
| OTR Plan Implementation                                    | 2,000,000           | 2,000,000           | 0                                   | 2,000,000                               |
| Neighborhood Market Rate Housing                           | 1,500,000           | 1,500,000           | 0                                   | 1,500,000                               |
| Citirama Market Rate Housing                               | 1,000,000           | 1,000,000           | 0                                   | 1,000,000                               |
| Downtown Market Rate Housing Development                   | 500,000             | 500,000             | 0                                   | 500,000                                 |
| Mixed Income Capital Redevelopment                         | 500,000             | 500,000             | 0                                   | 500,000                                 |
| Kennedy Connector Design *                                 | 300,000             | 0                   | 0                                   | 0                                       |
| Neighborhood Investment Reserve                            | 8,500,000           | 13,800,000          | (8,220,000)                         | 5,580,000                               |
| <i>Recreation Facility Renovations</i>                     |                     |                     | 3,500,000                           | 3,500,000                               |
| <i>Neighborhood Small-Eligible Infrastructure Projects</i> |                     |                     | 3,000,000                           | 3,000,000                               |
| <i>Columbia Square Development</i>                         |                     |                     | 1,500,000                           | 1,500,000                               |
| <i>Westwood Business District Parking Lot</i>              |                     |                     | 220,000                             | 220,000                                 |
| <b>Total Anthem Supported Projects</b>                     | <b>\$31,500,000</b> | <b>\$21,500,000</b> | <b>\$0</b>                          | <b>\$21,500,000</b>                     |

\* Includes \$6.5 million in Anthem advance re-allocation

- The Recommended 2004 Capital Budget Update allocates \$8.2 million from the Neighborhood Investment Reserve. Please see page 2 of the Recommended 2004 Capital Budget Update Report for additional details on the recommended projects

# Recommended 2004 Consolidated Plan Budget

|                                | <b>2003<br/>Approved<br/>Budget</b> | <b>2004<br/>Approved<br/>Budget</b> | <b>2004<br/>Recommended<br/>Budget Update</b> |
|--------------------------------|-------------------------------------|-------------------------------------|---|
| CDBG                           | \$20,034,550                        | \$19,998,000                        | \$19,765,180                                  |
| HOME                           | 6,860,930                           | 5,361,000                           | 5,241,120                                     |
| ESG                            | 591,000                             | 590,000                             | 596,000                                       |
| HOPWA                          | <u>481,000</u>                      | <u>464,000</u>                      | <u>472,000</u>                                |
| Total Consolidated Plan Budget | \$27,967,480                        | \$26,413,000                        | \$26,074,300                                  |

## Major Budget Changes

- \$1.9 million decrease in resources compared to the 2003 Approved Budget due to reductions in the City's federal grant awards in 2003 and 2004.
- The 2004 budget update reflects the May 29, 2003 City Council approved changes to the Consolidated Plan to account for the reduced grant resources.

# Consolidated Plan Budget Highlights

With the City Council approval, the 2004 Consolidated Plan would focus on Neighborhood Revitalization Strategy Area (NRSA) designation within eligible neighborhoods. NRSA designation allows greater flexibility in the use of the Community Development Block Grant (CDBG) funding.

- More streamlined reporting processes, mixed-income housing, and additional public services are some of the benefits of designating neighborhoods as a NRSA.
- Approximately \$50 million is identified for NRSA investments including \$10 million in Section 108 Loans, \$10 million in CDBG Float Loans, \$22.9 million in uncommitted Anthem resources and \$7.2 million in other Consolidated Plan resources (see page of 67 of the 2004 Consolidated Plan Budget Update for additional details).
- Specific targeted NRSA projects include the following neighborhoods:

|              |                 |
|--------------|-----------------|
| Bond Hill    | College Hill    |
| Corryville   | Kennedy Heights |
| Madisonville | Westwood        |

# Taxes & Fees

- Property Tax Millage decrease from 5.27 mills to 5.0 mills, resulting in a \$1.9 million tax cut/revenue reduction
- Water Works Rate Increase: 3% as included in the 2004 Approved Budget
- Metropolitan Sewer District Rate Increase: 5%, as opposed to the planned 7% included in current rate study (does not include an estimated additional 9% for the Consent Decree and Water-in-Basements Program)
- Photo Traffic Enforcement will be examined

# City Staffing

- All Funds City staffing is recommended at 6,506.9 full-time equivalent (FTE) positions, representing a net decrease of 2.9 FTE from the current staffing complement

| Department                       | FTE Change | Comment  |
|----------------------------------|------------|--|
| Water Works                      | 6.5        | Revenue Supported Butler County Service Expansion    |
| Law                              | 1.0        | Revenue Supported Administrative Hearings            |
| Community Development & Planning | (0.1)      | Efficiency Reduction                                 |
| Health                           | (0.4)      | Efficiency Reduction                                 |
| Buildings & Inspections          | (1.0)      | Efficiency Reduction                                 |
| Human Resources                  | (2.0)      | Elimination of the Municipal Investigations Function |
| Sewers                           | (2.5)      | Efficiency Reduction                                 |
| Public Services                  | (4.4)      | Efficiency Reduction                                 |
| Total                            | (2.9)      |  |

- Total General Fund staffing has decreased by 320 FTE since 2000.  
During this same period public safety staffing has increased 65 FTE.

# General Fund 2004 Budget Update Forecast

## *2003/2004 Approved General Fund Six-Year Forecast*

| (\$ in Thousands)                           | 2003             | 2004             | 2005             | 2006             | 2007             | 2008             |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
|   | Budget           | Budget           | Forecast         | Forecast         | Forecast         | Forecast         |
| Revenue                                     | \$307,615        | \$315,522        | \$325,477        | \$339,544        | \$351,879        | \$363,520        |
| Prior Year Carryover                        | 6,556            | 4,692            | 4,079            | 4,854            | 9,593            | 17,479           |
| Resources                                   | <u>\$314,171</u> | <u>\$320,214</u> | <u>\$329,556</u> | <u>\$344,398</u> | <u>\$361,472</u> | <u>\$380,999</u> |
| Operating Expenditures                      | <u>\$312,502</u> | <u>\$319,217</u> | <u>\$329,464</u> | <u>\$339,710</u> | <u>\$349,045</u> | <u>\$358,446</u> |
| Total Expenditures and Transfers            | \$312,502        | \$319,217        | \$329,464        | \$339,710        | \$349,045        | \$358,446        |
| Operating Surplus                           | \$1,669          | \$997            | \$92             | \$4,688          | \$12,427         | \$22,553         |
| Expenditure Savings/ Cancelled Encumbrances | <u>3,023</u>     | <u>3,082</u>     | <u>4,762</u>     | <u>4,905</u>     | <u>5,052</u>     | <u>5,204</u>     |
| <b>Carryover</b>                            | <b>\$4,692</b>   | <b>\$4,079</b>   | <b>\$4,854</b>   | <b>\$9,593</b>   | <b>\$17,479</b>  | <b>\$27,757</b>  |

- Developed with assistance of Standard & Poor's/DRI
- 3.4% annual revenue growth rate 2003 - 2008
- 2.8% annual growth rate for expenditures 2003 - 2008
- Results in modest carryover balances

# General Fund 2004 Budget Update Forecast (cont'd)

## *2003/2004 Revised General Fund Six-Year Forecast*

| <i>(\$ in Thousands)</i>                     | 2003<br>Estimate | 2004<br>Estimate | 2005<br>Forecast  | 2006<br>Forecast  | 2007<br>Forecast  | 2008<br>Forecast  |
|--|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue                                      | \$313,260        | \$313,949        | \$323,590         | \$334,252         | \$344,157         | \$355,862         |
| Transfers In                                 | 5,870            | 1,000            | 0                 | 0                 | 0                 | 0                 |
| Prior Year Carryover                         | 10,220           | 15,548           | 3,289             | (11,715)          | (27,511)          | (45,186)          |
| <b>Total Resources</b>                       | <b>\$329,350</b> | <b>\$330,497</b> | <b>\$326,879</b>  | <b>\$322,537</b>  | <b>\$316,646</b>  | <b>\$310,676</b>  |
| Operating Expenditures                       | \$312,460        | \$330,464        | \$341,964         | \$353,533         | \$365,436         | \$377,870         |
| Transfer Expenditures                        | 5,870            | 0                | 0                 | 0                 | 0                 | 0                 |
| <b>Total Expenditures</b>                    | <b>\$318,330</b> | <b>\$330,464</b> | <b>\$341,964</b>  | <b>\$353,533</b>  | <b>\$365,436</b>  | <b>\$377,870</b>  |
| Operating Surplus                            | \$11,020         | \$33             | (\$15,085)        | (\$30,996)        | (\$48,790)        | (\$67,194)        |
| Expenditure Savings & Cancelled Encumbrances | 4,528            | 3,256            | 3,370             | 3,485             | 3,604             | 3,729             |
| <b>Estimated Carryover</b>                   | <b>\$15,548</b>  | <b>\$3,289</b>   | <b>(\$11,715)</b> | <b>(\$27,511)</b> | <b>(\$45,186)</b> | <b>(\$63,465)</b> |

- 2.6% annual revenue growth rate 2003 - 2008
- 3.9% annual expenditure growth rate 2003 - 2008
- Results in annual budget deficits and structural imbalance

# Forecast Significant Changes

## Revenue assumptions:

- City Council-approved rollback of property tax revenues to the 2001 level
- Freeze in Local Government Fund revenues from the State until 2006
- Reduced investment earnings based on historically low interest rates

## Expenditure assumptions:

- Increased public safety costs
- Increased costs for health care and retirement system

## Forecast Balancing Need

- **Permanent expenditure reductions and/or revenue enhancements of \$15.9 million, or 5% of the General Fund, will be required beginning in 2005 to maintain a balanced General Fund budget for 2005 - 2008.**



# Restricted Funds Watch

- 2004 Estimated Carryover Balances below 10% for the following funds:
  - Parking Facilities Fund 102
  - Municipal Golf Fund 105
  - Street Construction, Maintenance, and Repair Fund 301
  - Motor Vehicle License Tax Fund 306
  - Recreation Special Activities Fund 323
  - Cable Communications Fund 424
  - Income Tax-Transit Fund 759

These funds will be monitored closely in 2004

- Continued cost increases for health care and retirement system
- Pending legal and federally mandated clean water regulatory requirements will affect the operating budgets of Water Works and Sewers in the coming years

# Recommended 2004 Budget Update - Contact Information

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